

**State of Montana
Office of the Legislative Auditor**

**REPORT TO THE LEGISLATURE
BUTTE VOCATIONAL-TECHNICAL
CENTER**

**Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1985**

PLEASE RETURN

This report contains 11 recommendations for improvement of the center's operations including recommendations relating to:

- ▶ Noncompliance with state policy relating to expenditure accruals.
- ▶ Federal compliance issues which could cause the center to lose federal funds.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant impact on the financial schedules. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office.

Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

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BUTTE VOCATIONAL-TECHNICAL CENTER

Financial-Compliance Audit Report for the Period
July 1, 1983 to June 30, 1985

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Members of the audit staff involved in this audit include: Wayne Guazzo, Wayne Kedish, Maureen Lassey, Lorry Parriman, Bill O'Donnell, Kim Thornton, Gary Trescott, and Brian Zwang.

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406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL-COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

May 1986

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Butte Vocational-Technical Center for fiscal years 1983-84 and 1984-85. The center's written response to audit recommendations is included in the back of the audit report.

We thank the director and the center's staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", with a long, sweeping horizontal line extending to the right.

Scott A. Seacat
Legislative Auditor

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ELECTED AND ADMINISTRATIVE OFFICIALS

BUTTE VOCATIONAL-TECHNICAL CENTER

Harry J. Freebourn

Director

Jim Graham

Assistant Director

OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION

Ed Argenbright

Superintendent and Executive
Officer of Vocational Education

Gene Christiaansen

Assistant Superintendent for
Vocational Education Services

BUTTE SCHOOL DISTRICT #1

Board of Trustees

	<u>Term Expires</u>
Bill Burke, Chairman	1987
Jerry Williams, Vice Chairman	1987
Mark Beckman	1986
Bob Moodry	1986
Jack Lynch	1987
Dale Cospers	1988
Marco Lucich	1988

Administrative Officials

Jeff Satterly

Superintendent

Thomas Stetzner

Business Manager

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited center's reply. The major issues in the report relate to noncompliance with state policy relating to expenditure accruals and federal compliance issues which could cause the center to lose federal funds.

	<u>Page</u>
<u>Recommendation #1</u>	
The center record expenditures in the proper fiscal year in accordance with state policy.	4
Center Response: Concur. See page 33.	
<u>Recommendation #2</u>	
The center:	
A. Contact Department of Administration, Accounting Division, for guidance on how to organize and use the Montana Operations Manual.	5
Center Response: Concur. See page 33.	
B. Utilize the MOM and management memos in managing center financial operations.	5
Center Response: Concur. See page 34.	
<u>Recommendation #3</u>	
The center submit a corrected twelfth day enrollment report to OPI for winter quarter of fiscal year 1983-84.	5
Center Response: Concur. See page 34.	
<u>Recommendation #4</u>	
The center record all of its property, plant, and equipment in accordance with state policy.	6
Center Response: Concur. See page 34.	

SUMMARY OF RECOMMENDATIONS (Continued)

Page

Recommendation #5

The center record all of its financial activity on SBAS in accordance with state law. 7

Center Response: Partially concur. See page 34.

Recommendation #6

The center:

- A. Establish procedures to ensure College Work-Study time records are adequately reviewed. 8

Center Response: Concur. See page 35.

- B. Ensure students are paid College Work-Study for hours worked. 8

Center Response: Concur. See page 35.

Recommendation #7

The center:

- A. Establish a system to ensure federal fiscal operations reports are accurate and supported by the accounting records. 9

Center Response: Concur. See page 36.

- B. Submit an amended fiscal operations report to the Department of Education for fiscal years 1983-84 and 1984-85. 10

Center Response: Do not concur. See page 36.

Recommendation #8

The center continue to document whether a student has attended another institution to ensure compliance with federal regulations. 11

Center Response: Concur. See page 36.

SUMMARY OF RECOMMENDATIONS (Continued)

Page

Recommendation #9

The center establish a system to notify lenders of enrollment status changes in accordance with federal regulations.

11

Center Response: Concur. See page 36.

Recommendation #10

The center properly calculate administrative costs in accordance with federal regulations.

12

Center Response: Concur. See page 37.

Recommendation #11

The center work with the school district to determine proper placement and funding of the Adult Basic Education program.

12

Center Response: Concur. See page 37.

INTRODUCTION

We performed a financial-compliance audit of the Butte Vocational-Technical Center for fiscal years 1983-84 and 1984-85. The objectives of the audit were to:

- 1) make recommendations for improvements in the management and internal controls of the center;
- 2) determine if the center complied with applicable state and federal laws and regulations;
- 3) determine if the center's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1985; and
- 4) verify the reasonableness of student contact hours and enrollment statistics reported by the center to the Office of the Superintendent of Public Instruction.

This report contains 11 recommendations to the center. These recommendations address areas where the center can improve management, financial reporting, and compliance with laws and regulations. Other areas of concern deemed not to have a significant effect on the successful operations of the center are not specifically included in the report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendations.

BACKGROUND

The Office of Public Instruction designated five vocational-technical centers for Montana. This designation was reaffirmed by the legislature in 1969, when five centers were established in law. In winter quarter of fiscal year 1983-84 the center reported 405 full-time equivalent (FTE) students; student FTE in spring quarter of fiscal year 1984-85 was 402. Footnote 9 on page 29 contains a schedule of full-time equivalent students for the two fiscal years ended June 30, 1985.

In December 1984, the center completed construction of its new facility. The new Butte Vocational-Technical Center has 58,932 square feet in classroom and laboratory areas and a total of 96,000 square feet overall.

The center is accredited by the Northwest Association of Schools and Colleges and offers instruction in seventeen programs as follows:

- | | |
|--------------------------------------|-------------------------------|
| 1. Automotive Mechanics | 10. Accounting |
| 2. Metal Shop | 11. Business Machines |
| 3. Welding | 12. Word Processing |
| 4. Small Engine Repair | 13. Typing and Microcomputers |
| 5. Machine Tool Operation | 14. Medical Secretary |
| 6. Civil Engineering | 15. Stenographer Secretary |
| 7. Electrical Technology | 16. Practical Nursing |
| 8. Drafting Technology | 17. Legal Secretary |
| 9. Data Entry/Information Processing | |

PRIOR AUDIT RECOMMENDATIONS

The prior audit of the Butte Vocational-Technical Center was conducted for the two fiscal years ended June 30, 1983. The report contained 18 recommendations for improvement of the center operations. The center concurred with all of the recommendations.

We reviewed the status of prior audit recommendations and determined fourteen recommendations still apply to the center operations. Of the fourteen recommendations applicable to the center, the center has implemented five, partially implemented five, and did not implement four. Recommendations which have not been implemented are addressed in the text of this report. Recommendations partially implemented have been addressed in this report or separately communicated to management.

POLICY AND PROCEDURES

We found several errors in the center's financial and enrollment records for fiscal years 1983-84 and 1984-85. The errors occurred because center personnel had not properly followed state policy or because appropriate procedures had not been established

to ensure the accuracy of the records. Since the center's financial and enrollment records are used by center personnel, the Office of Public Instruction, budget analysts, the Legislature, and others for budgeting, report preparation, management, and information purposes, it is essential that these records be accurate. The following four report sections discuss our concerns with the center's application of policy and procedures.

Expenditure Accruals

The center did not accrue all expenditures in accordance with state policy. State policy requires expenditures be accrued for goods or services received on or before June 30 of the fiscal year. The policy also allows outstanding purchase orders on noncontinuing appropriations to be accrued at year-end. The following three exceptions to state policy were noted on the center's accounting records.

1. Counselors' salaries for June 1985 were not accrued in fiscal year 1984-85 causing expenditures to be understated by \$10,078. A center official stated the salaries were not accrued because the corresponding appropriation was fully expended. Instead, the salaries were improperly charged to a fiscal year 1985-86 appropriation.
2. In fiscal year 1984-85 the center accrued \$3,913 for Workers' Compensation insurance benefits. The actual amount of insurance was \$6,097. Based on discussion with center personnel, it was determined that the accrual was estimated based on the previous insurance payment. However, the previous insurance payment used in estimating the expenditure accrual was for a four-month policy, rather than a six-month policy which was purchased in fiscal year 1984-85. Consequently, the balance of \$2,185 was improperly charged to the fiscal year 1985-86 appropriation.
3. The center personnel did not consistently accrue utility expenditures for June during the two years of our audit. They accrued utility costs in fiscal year (FY) 1984-85 but had not accrued utility costs in FY 1983-84.

The center personnel indicated they had operational budget authority left in FY 1985 to make the accrual but not FY 1984. As a result, FY 1984 expenditures contain only 11 months of activity while FY 1985 contains 13 months.

Because of offsetting errors on the accounting records the instances noted above did not cause an overexpenditure of center appropriation during our audit period. The center had the appropriation authority to accrue the expenditures. However, center personnel believed they could not accrue the expenditures because they did not have the operational plan budget authority to do so. Center personnel should utilize the Montana Operations Manual (MOM) and management memos for guidance in properly accruing expenditures.

RECOMMENDATION #1

WE RECOMMEND THE CENTER RECORD EXPENDITURES IN THE PROPER FISCAL YEAR IN ACCORDANCE WITH STATE POLICY.

Montana Operations Manual

The Montana Operations Manual (MOM) establishes uniform statewide accounting policies and procedures. Agency managers should use the manual to ensure their operations are conducted in accordance with state policy. The center's copy of the manual is not in a usable form to provide updated information on accounting policies and procedures. The manual kept by the center's bookkeepers has not been updated since 1979. If the MOM was assembled and utilized in the preparation of SBAS documents, accounting errors could be reduced.

In addition, the Department of Administration provides periodic management memos to the center. Management memos are information supplemental to the MOM and include updates, accounting changes, or policy changes. Center accounting personnel said they utilize the management memos that relate to the center. All

management memos should be filed in the MOMs for reference. A Department of Administration, Accounting Division, official said the Accounting Division would provide guidance to the center on assembling the MOM and the management memos.

Update of the MOM was recommended in our prior audit of the center. The center concurred with this recommendation but did not implement it.

RECOMMENDATION #2

WE RECOMMEND THE CENTER:

- A. CONTACT DEPARTMENT OF ADMINISTRATION, ACCOUNTING DIVISION, FOR GUIDANCE ON HOW TO ORGANIZE AND USE THE MONTANA OPERATIONS MANUAL.
- B. UTILIZE THE MOM AND MANAGEMENT MEMOS IN MANAGING CENTER FINANCIAL OPERATIONS.

Full-Time Equivalent Students

The center is responsible for reporting to the Office of Public Instruction (OPI) the number of full-time equivalent (FTE) students enrolled on the twelfth day of each quarter. FTE levels are used by the legislature for calculating vocational-technical center funding. In calculating winter quarter fiscal year 1983-84 contact hours, the center used 63 for the number of days in the quarter. The school calendar lists 61 days in the quarter. Center officials indicated the original calendar used for reporting FTE was for 63 days. After the twelfth day two days of school were cancelled and the calendar was changed. The error resulted in 10.4 additional FTE reported to the OPI for winter quarter 1983-84. Center officials indicated they will submit a corrected report.

RECOMMENDATION #3

WE RECOMMEND THE CENTER SUBMIT A CORRECTED TWELFTH DAY ENROLLMENT REPORT TO OPI FOR WINTER QUARTER OF FISCAL YEAR 1983-84.

Property, Plant, and Equipment

The center has implemented a property, plant, and equipment (PP&E) system, however, the center has not recorded all PP&E items on the system as required by state accounting policy. A center official said the chief engineer, who was performing the count prior to putting all the equipment on the system, was injured. In his absence the center has not been able to finish recording its PP&E on the system. The official estimates the PP&E will be completely recorded by the end of summer of 1986. The incomplete recording of PP&E items was addressed in the prior audit.

RECOMMENDATION #4

WE RECOMMEND THE CENTER RECORD ALL OF ITS PROPERTY, PLANT, AND EQUIPMENT IN ACCORDANCE WITH STATE POLICY.

LEGAL COMPLIANCE

Our audit of the Butte Vocational-Technical Center was performed in accordance with generally accepted auditing standards, Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, U.S. Office of Management and Budget (OMB) Circulars A-21 and A-110, and the March 1984 U.S. Department of Education Student Aid Audit Guide. Accordingly, we reviewed the state and federal laws and regulations applicable to the center's operations. Areas reviewed include specific state laws, which could have a material impact on the center's financial operations, eligibility determination, specific grant provisions, cost allowability, and grantor reporting. For the items tested, except for the items discussed in the following six sections of this report, we found the center complied with applicable federal and state laws

and regulations. Nothing came to our attention that causes us to believe untested compliance items are not in accordance with applicable laws and regulations.

Unrecorded Financial Activity

Certain financial activity administered by the center is not recorded on SBAS as required by state law. Section 17-1-102(4), MCA, requires the center to record on SBAS all financial activity for which it is accountable. The following financial information is recorded manually and not recorded on the state's accounting system (SBAS).

1. The center accounts manually for a miscellaneous fund referred to as "Federal Fund 15." The fund is comprised of school district moneys and center moneys. The fund in the past included center activity for travel advances and refunds, and various other school district activities. Center personnel indicated they have not used the fund for center activities for approximately the last one and a half years. Because the moneys have been commingled in the past, center officials are unsure of the amount of school district moneys versus center moneys. Center officials indicated the school district portion of the account will be transferred to the school district and that the center funds will be recorded on SBAS.
2. We also noted other unrecorded activity such as a student organization fund of \$463; a cash change fund in the bookstore of \$40; and less than \$2,000 of outstanding tuition and fee receivables at year-end.

RECOMMENDATION #5

WE RECOMMEND THE CENTER RECORD ALL OF ITS FINANCIAL ACTIVITY ON SBAS IN ACCORDANCE WITH STATE LAW.

College Work-Study

We tested controls over the College Work-Study (CWS) payroll to determine if students were being properly paid for hours worked. During a three-month period for which we tested all

student time cards, six students were paid by the center for a total of 34½ hours that they had not worked. In another instance, the center paid one student for three hours less than he had worked. These errors resulted in an overpayment of federal funds amounting to \$84.42. Federal regulations require an hour of pay for an hour of work under CWS. Based on our review, six of the errors were mathematical in nature and one related to improper payment for a holiday. Federal CWS regulations do not allow holiday pay. Improper use of federal moneys could result in a loss of CWS funding.

A center official indicated the above errors were due to calculation errors and oversight on the holiday pay. In order to minimize the number of undetected errors, the center should provide for a supervisory review of the CWS time records for accuracy of calculations.

This issue was also addressed in our prior audit report. We recommended the center ensure students are paid CWS only for hours actually worked. The center concurred with this recommendation.

RECOMMENDATION #6

WE RECOMMEND THE CENTER:

- A. ESTABLISH PROCEDURES TO ENSURE COLLEGE WORK-STUDY TIME RECORDS ARE ADEQUATELY REVIEWED.
- B. ENSURE STUDENTS ARE PAID COLLEGE WORK-STUDY FOR HOURS WORKED.

Incorrect Fiscal Operations Reports

The center prepares and submits a Fiscal Operations Report (FISAP) to the Department of Education annually. Federal regulations require the amount reported on the FISAP to be supported by the center's accounting records or enrollment records. We noted the following instances where the amounts reported to the federal government did not agree with the center's accounting and enrollment records.

1. The center's FISAP Report indicated the center spent \$3,355 for state grants and scholarships in each fiscal year of our audit. However, the center's accounting records showed the center spent \$3,110 for state grants and scholarships in fiscal year 1983-84, and \$3,033 in fiscal year 1984-85. Also, in fiscal year 1984-85 the center reported disbursing \$5,560 to students under the Supplemental Educational Opportunity Grant (SEOG), while the center's accounting records showed \$5,500 was disbursed.
2. The center is required by federal regulations to report the amount of the institution's participation in student financial aid on the FISAP. This amount is referred to as maintenance of effort. For fiscal years 1983-84 and 1984-85, the center's FISAP reported \$8,000 in maintenance of effort. This amount represents the center's portion of College Work-Study (CWS) expenditures. However, the center's accounting records indicated CWS expenditures were \$8,800 in 1983-84 and \$9,280 in 1984-85. In addition, the center failed to include the state's portion of the State Student Incentive Grant in the maintenance of effort calculation as required by federal regulations. The state's portion of the Student Incentive Grant amounted to \$1,555 and \$1,516 for fiscal years 1983-84 and 1984-85, respectively.
3. The center's FISAP report indicated that 345 students attended classes during fall quarter 1983. However, the center's enrollment records indicate there were only 315 students enrolled. A center official stated enrollment estimates were reported rather than the actual number of students as required by federal regulations.

A center financial aid officer indicated the errors noted above were caused by oversights in the financial aid office. Because some of the information contained on the FISAP reports submitted to the Department of Education was incorrect, the center should submit amended reports.

In the prior audit we recommended the center develop a system to ensure the fiscal operations reports are accurate.

RECOMMENDATION #7

WE RECOMMEND THE CENTER:

- A. ESTABLISH A SYSTEM TO ENSURE FEDERAL FISCAL OPERATIONS REPORTS ARE ACCURATE AND SUPPORTED BY THE ACCOUNTING RECORDS.

- B. SUBMIT AN AMENDED FISCAL OPERATIONS REPORT TO THE DEPARTMENT OF EDUCATION FOR FISCAL YEARS 1983-84 AND 1984-85.

Student Transcripts

Federal regulations require the center to administer the student financial aid program using an adequate system of internal control to ensure compliance with student aid regulations. According to federal regulations, if the center disburses Pell or campus-based funds to students, it must obtain a financial aid transcript from students who previously attended another eligible institution.

The center's procedure to ensure compliance with the above federal regulation is to ask the students if they have attended other institutions or received any financial aid; however, the result is not documented. A center official indicated that if a student is eligible to receive financial aid, and he attended another eligible institution, the student must submit an official transcript of the previous aid received from the other institution. Unless the center receives the transcript, the student cannot receive financial aid from the center. We were unable to determine if the center is complying with this federal regulation due to the lack of documentation in the student financial aid (SFA) files.

The admissions application to the center requires the student to indicate on the application whether prior financial assistance was received for post secondary education and from which institution it was received. An official indicated the SFA office does not utilize this application to determine whether a student received financial aid at another institution. The official indicated he did not believe written documentation was required. However, the official indicated the current procedures implemented in fiscal year 1985-86 require a signed statement from the student. Proper documentation by the center would provide the control necessary to ensure compliance with federal regulations.

RECOMMENDATION #8

WE RECOMMEND THE CENTER CONTINUE TO DOCUMENT WHETHER A STUDENT HAS ATTENDED ANOTHER INSTITUTION TO ENSURE COMPLIANCE WITH FEDERAL REGULATIONS.

Guaranteed Student Loan Program

Federal regulations require the center to report changes in enrollment status to lending institutions for students who receive a Guaranteed Student Loan (GSL). During our audit period we noted the center did not notify lenders when GSL recipients withdrew, graduated, or ceased to be enrolled at least half-time. A center official indicated the center misinterpreted the federal regulations. He believed that notification of lenders in this instance was optional rather than required. He also indicated the center has instituted procedures to ensure lenders are adequately notified in fiscal year 1985-86.

RECOMMENDATION #9

WE RECOMMEND THE CENTER ESTABLISH A SYSTEM TO NOTIFY LENDERS OF ENROLLMENT STATUS CHANGES IN ACCORDANCE WITH FEDERAL REGULATIONS.

Administrative Cost Allowance

The center claimed more administrative cost allowance for administering the College Work-Study (CWS) program and the Supplemental Educational Opportunity Grant (SEOG) than it was allowed under federal regulations. Federal regulations indicate the center may claim administrative costs up to 5 percent of CWS and SEOG expenditures. In fiscal year 1984-85 the center claimed administrative costs of \$2,801. Per the federal regulations, the center was allowed to claim 5 percent of \$55,022 in CWS and SEOG expenditures or \$2,751. As a result, the center exceeded its allowance by \$50.

A center official indicated the error occurred because an employee improperly calculated the allowance using the CWS and SEOG budget amounts rather than actual expenditures.

RECOMMENDATION #10

WE RECOMMEND THE CENTER PROPERLY CALCULATE ADMINISTRATIVE COSTS IN ACCORDANCE WITH FEDERAL REGULATIONS.

ADULT BASIC EDUCATION

The center administers the Adult Basic Education (ABE) program. The program is sponsored by the school district and the financial activity is recorded at the school district rather than in the center's accounting records. The accounting for the program is done at the center. The center employees who administer the program are paid totally by the center.

If the program is a school district program, a portion of the salaries of center employees who administer the program should be paid by the school district. If ABE is a center program the activity should be recorded in the center's accounting records.

RECOMMENDATION #11

WE RECOMMEND THE CENTER WORK WITH THE SCHOOL DISTRICT TO DETERMINE PROPER PLACEMENT AND FUNDING OF THE ADULT BASIC EDUCATION PROGRAM.

INTERNAL CONTROL

We have examined the financial schedules of the Butte Vocational-Technical Center for the two fiscal years ended June 30, 1984 and June 30, 1985. We issued our opinion dated March 21, 1986, on these schedules. As part of our examination, we made a study and evaluation of the system of control of the center. Our

study evaluated the system as required by generally accepted auditing standards and Standards for Audit of Governmental Organizations, Programs, Activities, and Functions for financial and compliance audits. We classified the controls in the following categories:

1. revenue;
2. expenditures;
3. payroll;
4. contracts and grants; and
5. student financial aid.

Our study included the control categories listed above. Through our study, we determined the nature, timing, and extent of our auditing procedures. We applied alternative audit tests to payroll and revenue because the audit could be performed more efficiently by expanding substantive audit work. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the center is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of controls are to provide management with reasonable assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policy. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of

controls used by the center. However, our study disclosed no conditions that we believe to be a material weakness.

The preceding three paragraphs are intended solely for the use of management and the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

AUDITOR'S OPINION LETTER
AND CENTER FINANCIAL SCHEDULES

SUMMARY OF AUDIT OPINION

The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance that can be placed on the amounts presented. The opinion issued on the financial schedules and footnotes in paragraph three, page 15, in this report means that the schedules are reasonable and the user of this Statewide Budgeting and Accounting System (SBAS) information can rely on the information presented.

The financial schedules are prepared from SBAS without adjustments for errors noted during the audit. This is done to allow the reader to determine the degree of reliance that can be placed on SBAS information. In prior audits the financial schedules were presented after adjustments and the center was allowed to correct the errors prior to issuance of the auditor's opinion.

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL-COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the financial schedules of the various funds of the Butte Vocational-Technical Center for each of the fiscal years ended June 30, 1984, and 1985, as shown on pages 17 through 30. Our examination was made in accordance with generally accepted auditing standards and Standards for Audit of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

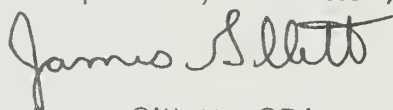
The center's financial schedules are prepared in accordance with the basis of accounting described in Note 1 to the financial schedules. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to in paragraph one present fairly the results of operations and the changes in fund balance of such funds of the Butte Vocational-Technical Center for each of the two fiscal years ended June 30, 1984 and 1985, in conformity with the basis of accounting described in Note 1 which, except for the change, with which we concur, in the method of recording of Pell transactions, as described in Note 8 to the financial schedules, has been applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial schedules taken as a whole. The

accompanying Schedule of Grant Expenditures is presented for additional analysis and to meet federal reporting requirements and is not a required part of the basic financial schedules. The schedule has been subjected to the tests and other auditing procedures applied in the examination of the basic financial schedules and, in our opinion, is fairly stated in all material respects in relation to the basic financial schedules referred to in paragraph one.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Gillett". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

James Gillett, CPA
Deputy Legislative Auditor

March 21, 1986

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

	General Fund	Special Revenue Fund	Unrestricted Fund	Restricted Fund	Designated Fund	Auxiliary Fund
FUND BALANCE, July 1, 1983	\$ -0-	\$ 325	\$ (23,495)	\$ 15,293	\$ 3,520	\$14,564
ADDITIONS:						
<u>Fiscal Year 1984</u>						
Budgeted Revenue & Transfers In		\$ 600,448	\$1,353,146	\$ 56,978		
Nonbudgeted Revenue & Transfers In				98,650	\$ 5,640	\$29,220
Total Revenue & Transfers In		<u>600,448</u>	<u>1,353,146</u>	<u>155,628</u>	<u>5,640</u>	<u>29,220</u>
Prior Year Revenue Adjustment		490		(979)		
Prior Year Transfers In Adjustment	\$ 3,888		611			
Direct Entry to Fund Balance	4,026		22,964			
Support from State	640,738					
<u>Fiscal Year 1985</u>						
Budgeted Revenue & Transfers In		651,209	1,512,912	78,434		
Nonbudgeted Revenue & Transfers In				291,707	5,912	66,861
Total Revenue & Transfers In		<u>651,209</u>	<u>1,512,912</u>	<u>370,141</u>	<u>5,912</u>	<u>66,861</u>
Prior Year Revenue Adjustment	2,188	(416)	(2,188)	341		
Revenue Refunds		(2,991)			(10)	(17)
Direct Entry to Fund Balance	90					
Support from State	653,985					
Total Additions	<u>1,304,915</u>	<u>1,248,740</u>	<u>2,887,445</u>	<u>525,131</u>	<u>11,542</u>	<u>96,064</u>
REDUCTIONS:						
<u>Fiscal Year 1984</u>						
Budgeted Expenditures & Transfers Out	648,652	596,904	1,342,790	56,978		
Nonbudgeted Expenditures & Transfers Out				104,689	6,124	26,827
Total Expenditures & Transfers Out	<u>648,652</u>	<u>596,904</u>	<u>1,342,790</u>	<u>161,667</u>	<u>6,124</u>	<u>26,827</u>
Prior Year Transfers Out Adjustment		3,879				
Prior Year Expenditure Adjustment			(20)			
Direct Entries to Fund Balance		480				
<u>Fiscal Year 1985</u>						
Budgeted Expenditures and Transfers Out	656,263	647,802	1,513,045	78,434		
Nonbudgeted Expenditures & Transfers Out				300,323	4,210	52,683
Total Expenditures & Transfers Out	<u>656,263</u>	<u>647,802</u>	<u>1,513,045</u>	<u>378,757</u>	<u>4,210</u>	<u>52,683</u>
Prior Year Expenditure Adjustment			8,167			
Total Reductions	<u>1,304,915</u>	<u>1,249,065</u>	<u>2,863,982</u>	<u>540,424</u>	<u>10,334</u>	<u>79,510</u>
FUND BALANCE, June 30, 1985	\$ -0-	\$ -0-	\$ (32)	\$ -0-	\$ 4,728	\$31,118

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 25 through 30.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF REVENUES AND TRANSFERS IN
ESTIMATE AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	<u>Taxes</u>	<u>Service Fees</u>	<u>Reimbursements</u>	<u>Grants, Gifts Bequests, & Donations</u>	<u>Sale of Documents Merchandise & Property</u>	<u>Federal Assistance</u>	<u>Transfers</u>	<u>Totals</u>
Special Revenue Fund								
Estimated Revenue & Transfers In	\$ 75,309	\$231,120	\$263,075				\$ 76,946	\$ 646,450
Actual Revenue & Transfers In	75,309	220,028	278,926				76,946	651,209
Collections Over(Under) Estimate	<u>\$ -0-</u>	<u>\$(11,092)</u>	<u>\$ 15,851</u>				<u>\$ -0-</u>	<u>\$ 4,759</u>
Unrestricted Fund								
Estimated Revenue & Transfers In	\$262,803						\$1,570,491 ¹	\$1,833,294
Actual Revenue & Transfers In	208,937						1,303,975	1,512,912
Collections Over(Under) Estimate	<u>\$(53,866)</u>						<u>\$ (266,516)</u>	<u>\$ (320,382)</u>
Restricted Fund								
Estimated Revenue & Transfers In			\$ 29,528	\$ -0-		\$ 81,934		\$ 111,462
Actual Revenue & Transfers In			-0-	30,257		339,884		370,141
Collections Over(Under) Estimate			<u>\$(29,528)</u>	<u>\$30,257</u>		<u>\$257,950</u>		<u>\$ 258,679</u>
Designated Fund								
Estimated Revenue & Transfers In		\$ -0-			\$ -0-			\$ -0-
Actual Revenue & Transfers In		4,520			1,392			5,912
Collections Over(Under) Estimate		<u>\$ 4,520</u>			<u>\$ 1,392</u>			<u>\$ 5,912</u>
Auxiliary Fund								
Estimated Revenue & Transfers In					\$ -0-			\$ -0-
Actual Revenue & Transfers In					66,861			66,861
Collections Over(Under) Estimate					<u>\$66,861</u>			<u>\$ 66,861</u>

¹This estimated amount includes \$262,803 which is also included in the estimated amount under the taxes classification.

Note: In fiscal year 1984-85 the center recorded no revenue in the General Fund.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 25 through 30.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF REVENUES AND TRANSFERS IN
ESTIMATE AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	<u>Taxes</u>	<u>Service Fees</u>	<u>Reimbursements</u>	<u>Grants, Gifts Bequests, & Donations</u>	<u>Sale of Documents Merchandise & Property</u>	<u>Federal Assistance</u>	<u>Transfers</u>	<u>Totals</u>
Special Revenue Fund								
Estimated Revenue & Transfers In	\$ 77,283	\$178,695	\$263,075				\$ 79,736	\$ 598,789
Actual Revenue & Transfers In	80,827	178,695	261,190				79,736	600,448
Collections Over(Under) Estimate	<u>\$ 3,544</u>	<u>\$ -0-</u>	<u>\$ (1,885)</u>				<u>\$ -0-</u>	<u>\$ 1,659</u>
Unrestricted Fund								
Estimated Revenue & Transfers In	\$120,000						\$1,228,146	\$1,348,146
Actual Revenue & Transfers In	125,000						1,228,146	1,353,146
Collections Over(Under) Estimate	<u>\$ 5,000</u>						<u>\$ -0-</u>	<u>\$ 5,000</u>
Restricted Fund								
Estimated Revenue & Transfers In			\$ 74,933	\$ -0-		\$ -0-		\$ 74,933
Actual Revenue & Transfers In			56,978	44,510		54,140		155,628
Collections Over(Under) Estimate			<u>\$ (17,955)</u>	<u>\$44,510</u>		<u>\$54,140</u>		<u>\$ 80,695</u>
Designated Fund								
Estimated Revenue & Transfers In		\$ -0-						\$ -0-
Actual Revenue & Transfers In		5,640						5,640
Collections Over(Under) Estimate		<u>\$ 5,640</u>						<u>\$ 5,640</u>
Auxiliary Fund								
Estimated Revenue & Transfers In					\$ -0-			\$ -0-
Actual Revenue & Transfers In					29,220			29,220
Collections Over(Under) Estimate					<u>\$29,220</u>			<u>\$ 29,220</u>

In fiscal year 1983-84 the center recorded no revenue in the General Fund.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 25 through 30.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY FUND
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 1985

	Instruction	Academic Support	Student Services	Institutional Support	Plant Operations & Maintenance	Scholarships and Fellowships	Auxiliary Enterprise	State Fund Transfers	Totals
<u>GENERAL FUND</u>									
Budget	\$ 90							\$ 656,173	\$ 656,263
Actual									
Operating Expenses	90 ¹								90
Transfers								656,173	656,173
Total Actual	90							656,173	656,263
Unspent Appropriation Authority	\$ -0-							\$ -0-	\$ -0-
<u>SPECIAL REVENUE FUND</u>									
Budget								\$ 662,301	\$ 662,301
Actual									
Transfers								647,802	647,802
Total Actual								647,802	647,802
Unspent Appropriation Authority								\$ 14,499	\$ 14,499
<u>UNRESTRICTED FUND</u>									
Budget	\$ 910,232	\$111,182	\$186,998	\$120,626	\$198,373				\$1,527,411
Actual									
Personal Services	806,816	100,755	164,285	110,601	89,418				1,271,875
Operating Expenses	91,400	10,645	22,917	9,874	95,015				229,851
Equipment	10,824				495				11,319
Total Actual	909,040	111,400	187,202	120,475	184,928				1,513,045
Unspent Appropriation Authority	\$ 1,192	\$ (218)	\$ (204)	\$ 151	\$ 13,445				\$ 14,366
<u>RESTRICTED FUND</u>									
Budget	\$ 111,462		\$ -0-		\$ -0-	\$ -0-			\$ 111,462
Actual									
Personal Services	80,872		10,531		15,604	24,012			131,019
Operating Expenses	12,981		6,324						19,305
Equipment	9,330								9,330
Grants						219,103			219,103
Total Actual	103,183		16,855		15,604	243,115			378,757
Unspent Appropriation Authority	\$ 8,279		\$ (16,855)		\$ (15,604)	\$ (243,115)			\$ (267,295)
<u>DESIGNATED FUND</u>									
Budget			\$ -0-						\$ -0-
Actual									
Personal Services			4,200						4,200
Operating Expenses			10						10
Total Actual			4,210						4,210
Unspent Appropriation Authority			\$ (4,210)						\$ (4,210)
<u>AUXILIARY FUND</u>									
Budget							\$ -0-		\$ -0-
Actual									
Operating Expenses							52,683		52,683
Total Actual							52,683		52,683
Unspent Appropriation Authority							\$ (52,683)		\$ (52,683)
<u>PROGRAM TOTALS</u>									
Budget	\$1,021,784	\$111,182	\$186,998	\$120,626	\$198,373	\$ -0-	\$ -0-	\$1,318,474	
Actual									
Personal Services	887,688	100,755	179,016	110,601	105,022	24,012			
Operating Expenses	104,471	10,645	29,251	9,874	95,015		52,683		
Equipment	20,154				495				
Grants						219,103			
Transfers								1,303,975	
Total Actual	1,012,313	111,400	208,267	120,475	200,532	243,115	52,683	1,303,975	
Unspent Appropriation Authority	\$ 9,471	\$ (218)	\$ (21,269)	\$ 151	\$ (2,159)	\$ (243,115)	\$ (52,683)	\$ 14,499	

¹ State accounting policy requires that all operating expenditures for vocational-technical centers be recorded in funds other than the General or Special Revenue Funds. These General Fund expenses should be recorded in the Unrestricted Fund.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 25 through 30.

LUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF PROGRAM EXPENDITURES AND TRANSFERS OUT BY FUND
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 1984

	Instruction	Academic Support	Student Services	Institutional Support	Plant Operations & Maintenance	Scholarships and Fellowships	Auxiliary Enterprise	State Fund Transfers	Totals
<u>GENERAL FUND</u>									
Budget	\$ 17,500							\$ 631,242	\$ 648,742
Actual	17,410 ¹								17,410
Operating Expenses								631,242	631,242
Transfers								631,242	648,652
Total Actual	<u>17,410</u>							<u>631,242</u>	<u>648,652</u>
Unspent Appropriation Authority	<u>\$ 90</u>							<u>\$ -0-</u>	<u>\$ 90</u>
<u>SPECIAL REVENUE FUND</u>									
Budget								\$ 596,904	\$ 596,904
Actual									
Transfers								596,904	596,904
Total Actual								<u>596,904</u>	<u>596,904</u>
Unspent Appropriation Authority								<u>\$ -0-</u>	<u>\$ -0-</u>
<u>UNRESTRICTED FUND</u>									
Budget	\$879,814	\$95,043	\$173,603	\$98,916	\$105,770				\$1,353,146
Actual									
Personal Services	758,642	77,869	159,028	85,528	60,837				1,141,904
Operating Expenses	107,550	17,163	14,174	11,616	38,274				188,777
Equipment	5,162			523	6,424				12,109
Total Actual	<u>871,354</u>	<u>95,032</u>	<u>173,202</u>	<u>97,667</u>	<u>105,535</u>				<u>1,342,790</u>
Unspent Appropriation Authority	<u>\$ 8,460</u>	<u>\$ 11</u>	<u>\$ 401</u>	<u>\$ 1,249</u>	<u>\$ 235</u>				<u>\$ 10,356</u>
<u>RESTRICTED FUND</u>									
Budget	\$ 57,054	\$ -0-	\$ -0-		\$ -0-	\$ -0-			\$ 57,054
Actual									
Personal Services	72,354		2,761		15,013	31,110			121,238
Operating Expenses	17,867	890	3,823			5,320			27,900
Grants						12,529			12,529
Total Actual	<u>90,221</u>	<u>890</u>	<u>6,584</u>		<u>15,013</u>	<u>48,959</u>			<u>161,667</u>
Unspent Appropriation Authority	<u>\$(33,167)</u>	<u>\$(890)</u>	<u>\$(6,584)</u>		<u>\$(15,013)</u>	<u>\$(48,959)</u>			<u>\$(104,613)</u>
<u>DESIGNATED FUND</u>									
Budget			\$ -0-						\$ -0-
Actual									
Personal Services			6,124						6,124
Total Actual			<u>6,124</u>						<u>6,124</u>
Unspent Appropriation Authority			<u>\$(6,124)</u>						<u>\$(6,124)</u>
<u>AUXILIARY FUND</u>									
Budget							\$ -0-		\$ -0-
Actual									
Operating Expenses							26,827		26,827
Total Actual							<u>26,827</u>		<u>26,827</u>
Unspent Appropriation Authority							<u>\$(26,827)</u>		<u>\$(26,827)</u>
<u>PROGRAM TOTALS</u>									
Budget	\$954,368	\$95,043	\$173,603	\$98,916	\$105,770	\$ -0-	\$ -0-	\$1,228,146	
Actual									
Personal Services	830,996	77,869	167,913	85,528	75,850	31,110			
Operating Expenses	142,827	18,053	17,997	11,616	38,274	5,320	26,827		
Equipment	5,162			523	6,424				
Grants						12,529			
Transfers								1,228,146	
Total Actual	<u>978,985</u>	<u>95,922</u>	<u>185,910</u>	<u>97,667</u>	<u>120,548</u>	<u>48,959</u>	<u>26,827</u>	<u>1,228,146</u>	
Unspent Appropriation Authority	<u>\$(24,617)</u>	<u>\$(879)</u>	<u>\$(12,307)</u>	<u>\$ 1,249</u>	<u>\$(14,778)</u>	<u>\$(48,959)</u>	<u>\$(26,827)</u>	<u>\$ -0-</u>	

¹ State accounting policy requires that all operating expenditures for vocational-technical centers be recorded in funds other than the General or Special Revenue Funds. These General Fund expenses should be recorded in the Unrestricted Fund.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 25 through 30.

BUTTE VOCATIONAL-TECHNICAL CENTER
 SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT
 FOR FISCAL YEAR ENDED JUNE 30, 1985

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Plant Operations & Maintenance</u>	<u>Scholarships/ Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>State Funds Transfers</u>	<u>Totals</u>
PERSONAL SERVICES									
Salaries	\$ 704,354	\$ 63,761	\$134,327	\$ 84,827					\$ 987,269
Hourly Wages	9,186	10,715	10,860	138	\$ 72,931	\$ 24,012			127,842
Employee Benefits	174,149	26,280	33,830	25,635	32,090				291,984
Total Personal Services	<u>887,689</u>	<u>100,756</u>	<u>179,017</u>	<u>110,600</u>	<u>105,021</u>	<u>24,012</u>			<u>1,407,095</u>
OPERATING EXPENSES									
Contracted Services	90		100	179	1,834				2,203
Supplies & Materials	52,058	5,034	13,604	3,494	18,522		\$56,722		149,434
Communications	505	100	7,925		16,543				25,073
Travel	1,517	3,036	1,728	3,755	285				10,321
Rent	25		602		71				698
Utilities					46,476				46,476
Repair & Maintenance	48,347	868	2,041	891	11,124				63,271
Other Expenses	1,929	1,606	3,250	1,556	161		(6,902)		1,600
Goods Purchased for Resale							2,863		2,863
Total Operating Expenses	<u>104,471</u>	<u>10,644</u>	<u>29,250</u>	<u>9,875</u>	<u>95,016</u>		<u>52,683</u>		<u>301,939</u>
EQUIPMENT									
Equipment	18,455				495				18,950
Intangible Assets	1,698								1,698
Total Equipment	<u>20,153</u>				<u>495</u>				<u>20,648</u>
GRANTS									
From State Sources						3,033			3,033
From Federal Sources						216,070			216,070
Total Grants						<u>219,103</u>			<u>219,103</u>
TRANSFERS									
Mandatory Transfers								\$1,303,975	1,303,975
Total Transfers								<u>1,303,975</u>	<u>1,303,975</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,012,313</u>	<u>\$111,400</u>	<u>\$208,267</u>	<u>\$120,475</u>	<u>\$200,532</u>	<u>\$243,115</u>	<u>\$52,683</u>	<u>\$1,303,975</u>	

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 25 through 30.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT
FOR FISCAL YEAR ENDED JUNE 30, 1984

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Plant Operations & Maintenance</u>	<u>Scholarships/ Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>State Funds Transfers</u>	<u>Totals</u>
PERSONAL SERVICES									
Salaries	\$675,613	\$27,028	\$ 96,404	\$41,065					\$ 840,110
Hourly Wages		30,882	35,835	25,170	\$ 61,145	\$31,110			184,142
Employee Benefits	155,383	19,959	35,674	19,294	14,704				245,014
Total Personal Services	<u>830,996</u>	<u>77,869</u>	<u>167,913</u>	<u>85,529</u>	<u>75,849</u>	<u>31,110</u>			<u>1,269,266</u>
OPERATING EXPENSES									
Contracted Services	37,404		4,289	175			\$ 16		41,884
Supplies & Materials	27,379	4,907	4,564	4,668	6,152		27,734		75,404
Communications			5,368		11,483				16,851
Travel	611	2,042	1,227	5,157					9,037
Rent	52,889	10,089	234		91				63,303
Utilities	1,120								1,120
Repair & Maintenance	22,647	219	764	68	19,138				42,836
Other Expenses	777	796	1,551	1,547	1,411	5,320	3		11,405
Goods Purchased for Resale							(926)		(926)
Total Operating Expenses	<u>142,827</u>	<u>18,053</u>	<u>17,997</u>	<u>11,615</u>	<u>38,275</u>	<u>5,320</u>	<u>26,827</u>		<u>260,914</u>
EQUIPMENT									
Equipment	5,162			523	6,424				12,109
Total Equipment	<u>5,162</u>			<u>523</u>	<u>6,424</u>				<u>12,109</u>
GRANTS									
From State Sources						4,089			4,089
From Federal Sources						8,440			8,440
Total Grants						<u>12,529</u>			<u>12,529</u>
TRANSFERS									
Accounting Entity Transfers								\$1,228,146	1,228,146
Total Transfers								<u>1,228,146</u>	<u>1,228,146</u>
TOTAL PROGRAM EXPENDITURES	<u>\$978,985</u>	<u>\$95,922</u>	<u>\$185,910</u>	<u>\$97,667</u>	<u>\$120,548</u>	<u>\$48,959</u>	<u>\$26,827</u>	<u>\$1,228,146</u>	

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 25 through 30.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF ADDITIONS AND DEDUCTIONS
AGENCY FUND ASSETS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

	Agency Fund Additional <u>Voted Millage</u>	Agency Fund ¹ <u>All Other</u>	Agency ² Fund <u>Clearing</u>
Asset Balance, July 1, 1983	\$ -0-	\$1,281	\$ 10,331
Additions:			
Fiscal Year 1984	125,129	4,159	623,278
Fiscal Year 1985	210,224	4,670	551,646
Total Additions	<u>335,353</u>	<u>8,829</u>	<u>1,174,924</u>
Deductions:			
Fiscal Year 1984	125,000	1,375	630,185
Fiscal Year 1985	210,353	4,060	555,070
Total Deductions	<u>335,353</u>	<u>5,435</u>	<u>1,185,255</u>
Asset Balance, June 30, 1985	<u>\$ -0-</u>	<u>\$4,675</u>	<u>\$ -0-</u>

¹This includes Scholarship Fund and Student Council.

²This includes Departmental Federal Assistance Financing System and Pell Grants.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 25 through 30.

BUTTE VOCATIONAL-TECHNICAL CENTER

NOTES TO FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The state of Montana uses the modified accrual basis of accounting which is described in the Montana Operations Manual except for the funds of Higher Educational units which are reported on the accrual basis of accounting.

The General Fund and the Special Revenue Fund of the center are accounted for under the modified accrual basis of accounting. All other funds and subfunds of the center are funds of Higher Educational units and are accounted for on the accrual basis of accounting.

Under the modified accrual basis and the accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

B. Basis of Presentation

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments. Accounts are organized on the basis of funds according to state law. The following funds are used by the center:

GENERAL FUND - Used to record state General Fund support for the vocational-technical center and transfers of these moneys to the Current Unrestricted Subfund.

SPECIAL REVENUE FUND - Used to record moneys received from the Office of Public Instruction and transferred to the Current Unrestricted Subfund. Revenue recorded in the Special Revenue Fund is also recorded as revenue in the Current Unrestricted Subfund. Due to the state's system for accounting for Special Revenue Fund revenues, these revenues are recorded twice on the Schedule of Revenues and Transfers In, once in the Special Revenue Fund, and again in the Current Unrestricted Subfund.

CURRENT FUNDS - Includes economic resources expendable for instruction, public service, and the allied support programs. The Current Fund is divided into four subfunds as follows:

Unrestricted Subfund - are funds received for which no stipulation was made by the donor or other external agency as to the purposes for which they should be expended.

Restricted Subfund - are funds available for financing operations which are limited by donors and other external agencies to specific purposes, programs, departments, or schools.

Designated Subfund - identifies financial activities related to special organized activities of educational programs wherein they are fully supported by supplemental assessments, and tracks special supplies and facilities fees that are approved for collection beyond normal course fees.

Auxiliary Subfund - exists to furnish goods or services to students, faculty, or staff through a fee charged for the cost, although not necessarily equal to the cost of the goods or services. The revenues are derived directly from the operation of the auxiliary enterprise itself.

AGENCY FUND - Includes resources held by the center as custodian or fiscal agent for individual students, faculty, staff members, and organizations.

ENDOWMENT FUND - Donated funds which are invested in an interest bearing account using only the interest for scholarships to students.

2. GENERAL FUND BALANCE

The General Fund is a Statewide Fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the Statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule the beginning and ending fund balance will always be zero.

3. BUDGET INFORMATION

The center uses a fixed basis of budgeting. Appropriations of specific dollar amounts are set in the General and Special Revenue Funds for each fiscal year in a biennium by the Legislature. Appropriations control the financial activities of the center's General and Special Revenue Funds each fiscal year. At fiscal year-end, appropriations (with the exception of continuing appropriations) revert to the fund of original appropriation. The reverted appropriation balance may be used in the subsequent year as authorization for valid prior year obligations.

Budget amendments represent the authorization to spend funds not available for consideration by the Legislature but available from sources other than General Fund. Budget amendments are approved by the Governor's Office of Budget and Program Planning.

The center has established an administrative appropriation for budgetary control in the Current Unrestricted and Restricted Subfunds. Financial activity in the center's other funds and subfunds are not budgeted, as allowed by state law.

4. LIABILITY FOR COMPENSATED ABSENCES

Employees for the center accumulate both vacation and sick leave. Qualifying classified employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Certified employees receive lump sum payments in accordance with contract provisions. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial

schedules of the center. Expenditures for termination pay currently are absorbed in the annual operating costs of the center in the fiscal year that employees terminate. At June 30, 1985, the center had a liability of \$25,620 for vacation leave and \$183,972 for sick leave.

5. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The center's contribution to these plans is shown below.

	<u>Fiscal Year</u> <u>1983-84</u>	<u>Fiscal Year</u> <u>1984-85</u>
PERS	\$ 7,222	\$10,096
TRS	54,314	60,319

6. DIRECT ENTRIES TO FUND BALANCE

The \$22,964 direct entry to fund balance in the Current Unrestricted Fund relates to the reestablishment of the fiscal year-end 1982-83 cash balance in fiscal year 1983-84.

7. ADULT EDUCATION GRANT

The Adult Education Grant is composed of funds generated locally and it is recorded at the school district. The grant is administered by the center where manual records are kept to account for the activity.

8. ACCOUNTING FOR PELL ACTIVITY

During fiscal year 1983-84 the center recorded financial activity for Pell grants in the Agency Fund, in accordance with state accounting policy. State accounting policy changed in fiscal year 1984-85, and the center started recording Pell activity in the Restricted Fund.

9. STUDENT FTEs

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF FULL-TIME EQUIVALENT (FTE) STUDENTS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

Fiscal Year 1983-84

<u>Quarter</u>	<u>Year</u>	<u>Number of¹ Students</u>	<u>Reported Contact Hours</u>	<u>Calculated FTEs²</u>
Summer	1983	113	23,359	70.10
Fall	1983	315	97,968	293.92
Winter	1983	314	109,305	327.90
Spring	1984	323	106,628	319.91

Fiscal Year 1984-85

<u>Quarter</u>	<u>Year</u>	<u>Number of Students</u>	<u>Reported Contact Hours</u>	<u>Calculated FTEs</u>
Summer	1984	109	23,919	71.77
Fall	1984	348	110,142	330.46
Winter	1984	403	135,176	405.59
Spring	1985	408	134,200	402.62

¹Includes Full and Part-Time Students (Part-Time Students only in Business Office Related Curricula)

²This is the reported student contact hours divided by 333.3 hours as required by section 10.41.101, ARM.

10. CENTER TRANSFERS

The center initially records most of its revenues in the General and Special Revenue Funds. It then transfers most of these moneys to the Current Unrestricted Subfund from which the funds are expended. As shown below, the center's financial activity appears to be \$1,303,975 and \$1,228,146 higher than it actually is in fiscal years 1983-84 and 1984-85, respectively, due to these transfers.

	<u>Fiscal Year</u> <u>1983-84</u>	<u>Fiscal Year</u> <u>1984-85</u>
Budgeted Expenditures and Transfers Out:		
General Fund	\$ 656,263	\$ 648,652
Special Revenue Fund	<u>647,802</u>	<u>596,904</u>
Total Budgeted Expenditures and Transfers Out	1,304,065	1,245,556
Less General Fund Budgeted Expenditures	<u>90</u>	<u>17,410</u>
Current Unrestricted Subfund Budgeted Transfers In	<u>\$1,303,975</u>	<u>\$1,228,146</u>

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF GRANT EXPENDITURES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

<u>Grantor Agency</u> <u>Grant Name</u>	<u>Fiscal Year</u> <u>1984-85</u>	<u>Fiscal Year</u> <u>1983-84</u>
<u>U.S. Department of Education</u>		
Pell Grant Program	\$210,570	\$153,035
Supplemental Educational Opportunity Grant	5,500	8,440
College Work-Study	39,617	40,664
Library Grant		890
<u>Veterans' Administration</u>		
Veterans' Cost of Instruction	1,075	827
<u>Montana Office of Public Instruction</u>		
Vocational Education	278,926	261,190
Project Transition Teachers		7,000
Fluid Power Mech. Job Training		15,544
Teacher Development Program		800
Independent Learning Program		56,978
Cooperative Education Program	24,748	9,898
<u>Montana Commissioner of Higher Education</u>		
State Student Incentive Grant	3,033	4,089
<u>Montana Department of Labor</u>		
Job Training Partnership Act	78,434	
Comprehensive Education and Training Act Grant Model Unetics		5,320
Total	<u>\$641,903</u>	<u>\$564,675</u>

CENTER RESPONSE



May 14, 1986

Mr. Scott A. Seacat
Legislative Auditor
Office of the Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

Dear Mr. Seacat:

Subj: State of Montana, Butte Vocational Technical Center,
Report on Examination of Financial Statements for the
Two Fiscal Years Ended June 30, 1985

Attached to this communication is Butte Vocational Technical
Center, School District No. 1's responses to the Summary of Audit
Recommendations by your office.

Respectfully submitted,

H. J. Freebourn

H. J. Freebourn, Director
Butte Vo-Tech Center
Basin Creek Road
Butte, MT 59701

HJF:pr
Enc.

RESPONSES

BUTTE VOCATIONAL TECHNICAL CENTER

AUDIT

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1985

1. Legislative Auditor's Recommendation #1

The Center record expenditures in the proper fiscal year in accordance with state policy.

Center's Response - Items #1, #2, #3

Butte Vo-Tech Center Administration concurs with Recommendation #1.

In item #1, the Center Administration did not receive official notification until the last week of June that its share of the first half of the 1984-85 tax allocation was reduced by the in-questioned amount. Since services were rendered by the Student Service personnel during the period, the Center Director authorized payment out of the FY85 budget.

In item #2, the Center based its request on the months of September through December, instead from July through December of 1984, thus creating the short fall which was paid out of the FY85 Budget.

In item #3, at this point and time the old Center was located across the street from Butte High School and was shared with the High School. The Center paid for approximately 2/3 of the utility cost from July through February and the District paid 1/3 from March through June for school year 1984-85.

2. Legislative Auditor's Recommendation #2A & B

The Center:

- A. Contact Department of Administration, Accounting Division, for guidance on how to organize and use the Montana Operations Manual.

Center's Response #2A

Butte Vo-Tech Center Administration concurs with Recommendation #2A.

The Center Administration contacted the Department of Administration Accounting Division on May 8, 1986, to make arrangements to update the Center's MOM. The Department of Administration representative informed the Center Director that only Chapters 17 and 19 are completed and that Chapter 22 will be completed by June 1, 1986. All other chapters for all intent and purposes are outdated and will not be updated until sometime during FY87. It was suggested by the Representative that if the Center requires information, until the

MOM's is updated at the State level, it is best to call the Department of Administration Accounting Division for correct information.

- B. Utilize the MOM and Management Memos in managing Center financial operations.

Center's Response #2B

Butte Vo-Tech Center Administration concurs with Recommendation #2B.

Mr. Gene Christiaansen, State Assistant Superintendent, Department of Vocational Education Services, OPI, is investigating the possibilities of holding a workshop on MOM's, etc.

3. Legislative Auditor's Recommendation #3

The Center submit a corrected Twelfth Day Enrollment Report to OPI for Winter Quarter 1984.

Center's Response #3

Butte Vo-Tech Center Administration concurs with Recommendation #3.

The discrepancy resulted when the Center/School District was closed on December 21 & 22, 1983, due to -50° inclement weather for two days. The in-questioned days were made up at the end of the school year. The original Twelfth Day Report was submitted on December 14, 1984, to OPI. The Center should have submitted an amended report.

The corrected Twelfth Day Enrollment Report was submitted to OPI on May 13, 1986.

4. Legislative Auditor's Recommendation #4

The Center record of its property, plant and equipment in accordance with State policy.

Center's Response #4

Butte Vo-Tech Center Administration concurs with Recommendation #4.

The property, plant, and equipment system will be completed and in full implementation by the end of August, 1986.

5. Legislative Auditor's Recommendation #5

The Center record all of its financial activity on SBAS in accordance with State law.

Center's Response #5

Butte Vo-Tech Center partially concurs with Recommendation #5.

Concurrence

The in-question \$463 for the Center's OEA Student Organization and the \$50 Cash Charge Fund in the Bookstore will be placed on SBAS by the Center's Bookkeeper by June 30, 1986.

Nonconcurrence

The \$2,000 of outstanding tuition and fee is an overstated amount. The correct amount was \$607. The \$607 in-question represented the retraining of an individual from Olympia Washington, through the State of Washington's Department of Labor and Industry. The Department incurred procedural funding problems within its operation for a period of time. The problems have been corrected and the \$607 has been paid.

Concurrence

The Mountain States Energy fund, under "Federal Fund 15" will be transferred to a separate Vo-Tech responsibility center and placed on SBAS by June 30, 1986, by the Center's bookkeeper. The other inquestioned monies, after further investigation by the Center Director, for lack of evidence that identifies these monies as Vo-Tech monies, will remain in Federal Fund 15 as School District #1 monies.

6. Legislative Auditor's Recommendation #6A & B

The Center:

- A. Establish procedures to ensure College Work Study time records are adequately reviewed.

Center's Response #6A

Butte Vo-Tech Center concurs with Recommendation #6A.

A review procedure of the College Work Study time cards has been established effective May 12, 1986, by the Student Service Office.

- B. Ensure students are paid College Work Study for hours worked.

Center's Response #6B

Butte Vo-Tech Center concurs with Recommendation #6B.

A notice will be sent to all College Work Study employers and employees for FY87 to make certain that holiday hours are not recorded for pay purposes.

7. Legislature Auditor's Recommendation #7A & B

The Center:

- A. Established a system to ensure federal fiscal operations reports are accurate and supported by the accounting records.

Center's Response #7A

Butte Vo-Tech Center Administration concurs with Recommendation #7A.

A review procedure for Federal Fiscal Operation Reports has been established by the Student Service Office, effective May 12, 1986.

- B. Submit an amended Fiscal Operations Report to the Department of Education for fiscal years 1983-84 and 1984-85.

Center's Response #7B

Butte Vo-Tech Center does not concur with Recommendation #7B.

The Centers Financial Aid Specialist in a telephone conversation on 5/7/86 with the Federal Regional Office determined that the Center had met its maintenance of effort of \$8,000; therefore, an amended Fiscal Operations Report is not required.

8. Legislative Auditor's Recommendation #8

The Center continues to document whether a student has attended another institution to ensure compliance with federal regulations.

Center's Response #8

Butte Vo-Tech Center Administration concurs with Recommendation #8.

The Student Service Office at the beginning of the 1985-86 school year required a student to sign a statement that he or she has not attended any other school since high school or provide a transcript. This procedure now gives the Financial Aid Specialist the required control.

9. Legislative Auditor's Recommendation #9

The Center establish a system to notify lenders of enrollment status changes in accordance with federal regulations.

Center's Response #9

Butte Vo-Tech Center concurs with Recommendation #9.

At the beginning of the current school year 1985-86, an individual letter was initiated that was sent to the lenders on each student reporting changes in student enrollment status throughout the school year.

10. Legislative Auditor's Recommendation #10

The Center properly calculate administration costs in accordance with federal regulations.

Center's Response #10

Butte Vo-Tech Center concurs with Recommendation #10.

The Center will reimburse, as indicated, \$50.00 to the Federal Government.

11. Legislative Auditor's Recommendation #11

The Center work with the School District to determine proper placement and funding of the Adult Basic Education Program.

Center's Response #11

Butte Vo-Tech Center concurs with Recommendation #11.

The Center Administration met with a School District #1 representative on May 9, 1986 to discuss audit exception #11. It was agreed upon and noted to recognize the ABE Program as the Center's responsibility and place the program on SBAS for accounting purposes.

HJF/tw

